

Message Text

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67

ACTION EUR-25

INFO OCT-01 ADP-00 IO-13 AID-20 CIAE-00 COME-00 EB-11

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TO SECSTATE WASHDC 6386

INFO USMISSION EC BRUSSELS

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UNCLAS BONN 10315

PASS TREASURY, FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: BUNDESBANK TIGHTENS LICENSING REQUIREMENT FOR
SALES OF DOMESTIC SECURITIES TO NON-RESIDENTS

REF: (A) BONN A-463; (B) BONN 1724; (C) BONN 12441 OF
SEPTEMBER 12, 1972

1. THE BUNDESBANK HAS DISCONTINUED ITS PRACTICE TO
GRANT, ON APPLICATION, ONE GENERAL LICENSE TO AN INDIVIDUAL
GERMAN BANK TO COVER ITS SALES OF BOTH DOMESTIC
BONDS AND STOCKS TO NON-RESIDENTS.

2. THE BUNDESBANK WILL NOW, ON APPLICATION BY A GERMAN
BANK, GRANT A SEPARATE GENERAL LICENSE FOR THE SALE OF
DOMESTIC BONDS TO NON-RESIDENTS AND A SEPARATE LICENSE
FOR THE SALE OF DOMESTIC STOCKS TO NON-RESIDENTS UP
TO AN AMOUNT EQUAL TO THE DECLINE IN HOLDINGS OF DOMESTIC
BONDS OR STOCKS, RESPECTIVELY, FOR NON-RESIDENTS BY THE
INDIVIDUAL GERMAN BANK DUE TO SALES OF SUCH BONDS OR STOCKS,
RESPECTIVELY, TO RESIDENTS OR DUE TO REDEMPTION PAYMENTS.

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3. PREVIOUSLY A GERMAN BANK, UNDER ONE GENERAL LICENSE, COULD SELL DOMESTIC BONDS TO A NON-RESIDENT EQUAL TO A DECLINE IN ITS HOLDINGS FOR NON-RESIDENTS OF DOMESTIC STOCKS, OR VICE VERSA.

4. GOVERNMENT OFFICIALS TOLD US THAT THE BUNDESBANK THOUGHT THIS CHANGE IN POLICY WAS NECESSARY DUE TO AN INCREASED INCIDENCE WHERE NON-RESIDENTS PURCHASED GERMAN STOCKS ABROAD, (SOME OF WHICH HAD BEEN PHYSICALLY TRANSPORTED FROM THE FRG - THE SO CALLED "SUITCASE TRANSACTIONS" REF (A)) SOLD THEM IN THE FRG, AND USED THEIR "QUOTA" TO BUY RELATIVELY HIGH YIELD GERMAN BONDS.

5. THE BUNDESBANK IS CONFIDENT THAT THESE NEW REGULATIONS WILL PREVENT SUCH ACTIONS AND HOPES THAT IT WILL TAKE SOME OF THE PROFIT OUT OF "SUITCASE TRANSACTIONS".
HILLENBRAND

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